

**UNDERSTANDING CONCERNING SUPERVISION OF LCH.CLEARNET SA
AMONG THE U.S. COMMODITY FUTURES TRADING COMMISSION,
FRENCH AUTORITE DES MARCHÉS FINANCIERS, AND
FRENCH AUTORITÉ DE CONTRÔLE PRUDENTIEL**

Article One: Background

1. LCH.Clearnet SA (“LCH”) has applied to the U.S. Commodity Futures Trading Commission (“CFTC”) for registration as a Derivatives Clearing Organization (“DCO”) in order to provide clearing and settlement services in the United States for certain credit default swaps (“CDS”).
2. In connection with LCH’s request for registration with the CFTC, the French Autorité des Marchés Financiers (“AMF”) and the French Autorité de Contrôle Prudentiel (“ACP”) (collectively “French Authorities”) and the CFTC have reached this understanding concerning consultation, cooperation, and the exchange of information (“Understanding”) related to LCH’s functions as a DCO pursuant to the terms of a CFTC order granting registration status to LCH (“Registration Order”). This Understanding is consistent with the International Organization of Securities Commissions’ (“IOSCO’s”) Principles of Cross-Border Supervisory Cooperation (May 2010) and does not prejudice the ability of the CFTC and the French Authorities to enter into a more comprehensive memorandum of understanding for supervisory cooperation in the future.
3. LCH is a clearinghouse located in France and supervised by the French Authorities.

Article Two: General Provisions

4. Through this Understanding, the CFTC, AMF, and ACP (each an “Authority” and collectively “Authorities”) express their willingness to consult and cooperate with each other in the interest of fulfilling their respective regulatory mandates, particularly in the areas of financial and market integrity, systemic stability, and customer protection related to the oversight of LCH, as permitted by, and consistent with, the laws and requirements that govern each Authority.
5. This Understanding does not create any legally binding obligations, confer any rights, or supersede domestic laws. This Understanding does not confer upon any person the right or ability directly or indirectly to obtain, suppress, or exclude any information or to challenge the execution of a request for assistance under this Understanding.
6. This Understanding does not limit an Authority to taking solely those measures described herein in fulfillment of its supervisory and oversight functions.
7. The Authorities acknowledge that, notwithstanding this Understanding, LCH remains fully responsible for meeting all of the terms of a Registration Order. If the CFTC determines to revoke LCH’s Registration Order, it will inform the French Authorities before notifying LCH of the revocation.

8. This Understanding complements, but does not alter, the terms and conditions of the following existing arrangements that concern information sharing in the context of enforcement matters: (i) the *Administrative Agreement* between the AMF (formerly the Commission des Opérations de Bourse) and the CFTC on cooperation and mutual assistance (June 6, 1990); and (ii) the *IOSCO Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information* (May 2002) (“MMOU”), to which the CFTC and the AMF are signatories.
9. Within the framework of this Understanding, the Authorities will provide each other with the fullest cooperation permissible under their national law in relation to the supervision of LCH.
10. To facilitate cooperation under this Understanding, each Authority hereby designates contact persons as set forth in appendix A.

Article Three: Consultation, Cooperation, and Exchange of Information

11. The Authorities recognize the importance of close communication regarding the supervision of LCH and intend to consult regularly, as necessary, regarding general supervisory developments and issues relevant to the operations, activities, and regulation of LCH.
12. As appropriate in the particular circumstances, each Authority endeavors to inform the other Authorities promptly, and where practicable in advance of:
 - a. Pending regulatory changes or proposed regulatory actions with regard to LCH that may have a significant impact on LCH’s operations, activities, or reputation, including changes in default rules or procedures;
 - b. Any material event that could adversely impact LCH’s financial or operational stability including, without limitation, such events as a default or potential default of a clearing member or participant, market or settlement bank difficulties that might adversely impact LCH, LCH’s failure to satisfy any of the terms of a Registration Order, and any process directed toward the revocation of a Registration Order or any known material changes in LCH’s operating environment, financial resources, operations, management, or systems and controls that may adversely impact its operations or financial stability; and
 - c. The status of efforts to address any material difficulties that adversely could impact the financial or operational stability of LCH or one or more of its clearing members or participants.
13. The Authorities may share information not otherwise available to the Authority making the request (“Requesting Authority”), such as examination findings and related information. Requests to an Authority (“Requested Authority”) generally should be made in writing but, in extraordinary circumstances, may be made orally provided such communication is confirmed in writing as promptly as possible.

Article Four: Access to Information in France and Permissible Uses of Such Information

14. The CFTC has informed the French Authorities that, as a condition of a Registration Order, LCH must commit, among other things, that all documents, books, records, reports, and other information (“Books and Records”) related to LCH’s operation as a DCO are subject at all times to inspection and copying by the CFTC and will be made available and supplied directly to the CFTC promptly in response to the CFTC’s request, in the manner in which the CFTC requests that the Books and Records be provided. The CFTC will notify the French Authorities of any written requests made to LCH for non-public Books and Records. The CFTC routinely will communicate directly with LCH.
15. The CFTC has informed the French Authorities and the French Authorities acknowledge that, as a condition of a Registration Order, LCH must obtain all consent waivers necessary to enable it to make its Books and Records available to the CFTC, as set forth in Paragraph 14 above.
16. The French Authorities intend to assist the CFTC in obtaining directly from LCH information necessary for LCH to comply with its statutory and regulatory obligations as a DCO.
17. Non-public information obtained by the CFTC from LCH, in accordance with a Registration Order, is intended to be used for supervisory and oversight purposes only, including determining compliance with the laws and regulations applicable to LCH in its capacity as a DCO and with the terms of a Registration Order. Should the CFTC determine that such information is needed for enforcement purposes, including use in an enforcement investigation or proceeding, the CFTC will notify the French Authorities and will use such information in accordance with the terms of the IOSCO MMOU.
18. a - The Banking and Financial Law n 2010-1249 dated 22 October 2010 authorizes LCH (through a specific provision dedicated to market infrastructures, which derogates from other legal provisions of general application, including from the French blocking statute and professional secrecy provisions) to supply to the CFTC and to provide the CFTC with direct access to information, either orally or in writing, related to LCH’s clearance and settlement services pursuant to the terms of a Registration Order. This Understanding complies with the cooperation agreement requirements of Articles L632-7 and L632-17 of the French Monetary and Financial Code (“MFC”), and LCH must be defined by decree pursuant to Article L632-17 as the market infrastructure subject to the MFC prior to any issuance of a Registration Order.

b - U.S. laws do not prohibit a DCO registered with the CFTC and based in the United States that also is authorized by the French Authorities to act as a clearing organization for French regulated markets or multilateral trading facilities to supply to the French Authorities and to provide the French Authorities with direct access to information, either orally or in writing, related to the clearing organization’s clearance and settlement services, that would be necessary to the fulfilment of the French Authorities’ regulatory and supervisory responsibilities.

Article Five: Procedures for On-Site Visits

19. In fulfilling its regulatory functions relating to its supervision of LCH as a DCO, the CFTC will need to carry out on-site visits of LCH in France with respect to LCH's operations and activities as a DCO ("On-Site Visits").
20. The CFTC has informed the French Authorities that, as a condition of a Registration Order, LCH must provide access to the CFTC for the purpose of any routine or for-cause regulatory On-Site Visit, including to examine the Books and Records, systems, and premises of LCH for the purposes of ongoing supervision and oversight.
21. In the same way, the French Authorities have informed the CFTC that French legal provisions necessitate that the French Authorities initiate an on-site inspection of LCH in France in order to accommodate the CFTC's On-Site Visit of LCH.
22. Consequently, the CFTC will provide advance notice to the French Authorities of the CFTC's intent to do an On-Site Visit, and will consult with the French Authorities on the intended timeframe and scope of the On-Site Visit. Without delay, the French Authorities will initiate an inspection of LCH in consultation with the CFTC so that the CFTC may carry out an On-Site Visit.
23. The French Authorities intend to assist the CFTC regarding On-Site Visits, including cooperation and consultation in reviewing, interpreting, and analyzing the contents of public and non-public Books and Records, and in obtaining information from directors and senior management of LCH.
24. The French Authorities will share with the CFTC any relevant examination information or compliance reviews they may have undertaken with respect to LCH.
25. The On-Site Visit may be followed by additional requests from the CFTC to LCH for Books and Records and by requests for remedial action by LCH in response to the CFTC's examination findings.
26. The CFTC will communicate its examination findings and any requests for remedial action directly to LCH but will provide, solely for information purposes, an advance copy of any examination letter or report to the French Authorities.

Article Six: Confidentiality

27. Except for disclosures in accordance with this Understanding, each Authority intends to keep confidential to the extent permitted by law non-public information shared among the Authorities, requests made under this Understanding, the contents of such requests, and any other matters arising among the Authorities pursuant to this Understanding.
28. The French Authorities understand that the CFTC may provide information shared under this Understanding to the Board of Governors of the Federal Reserve System and the U.S. Securities and Exchange Commission pursuant to the terms of the *Memorandum of Understanding Between the Board of Governors of the Federal Reserve System, the U.S.*

Commodity Futures Trading Commission and the U.S. Securities and Exchange Commission Regarding Central Counterparties for Credit Default Swaps (November 2008) (“CDS MOU”). Under the terms of the CDS MOU, the authority receiving non-public information under the MOU will not disclose such information to a third party or to the public without the prior written consent of the providing authority.

29. Except as provided in Paragraph 28, non-public information obtained under this Understanding may not be shared with any other non-signatory to this Understanding without the prior consent of the Requested Authority providing the non-public information. If the Requesting Authority requests such consent:
 - a. The Requesting Authority will provide confirmation to the Requested Authority that the information will be subject to confidential treatment; and
 - b. The Requested Authority will take into account the level of urgency of the request and respond in a timely manner.


Article Seven: Termination

30. Cooperation in accordance with this Understanding will continue until the expiration of 30 days after: (a) either Authority gives written notice to the other Authority of its intention to terminate the Understanding; or (b) the CFTC determines to revoke a Registration Order. If either Authority gives notice of termination, the parties will consult concerning the disposition of any pending requests. If an agreement cannot be reached through consultation, cooperation will continue with respect to all requests for assistance that were made under the Understanding before the expiration of the 30-day period until all requests are fulfilled or the Requesting Authority withdraws such request(s) for assistance. In the event of termination of this Understanding, information obtained under this Understanding will continue to be treated in the manner described under Articles Four and Six.

Article Eight: Effective Date

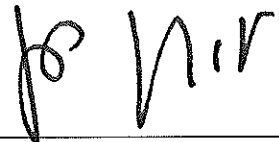
31. This Understanding will take effect upon issuance by the CFTC of a Registration Order related to LCH's functions as a DCO.

This Understanding is executed in triplicate:



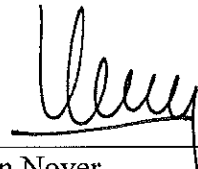
Gary Gensler
Chairman
U.S. Commodity Futures Trading Commission

Date 4 January 2011



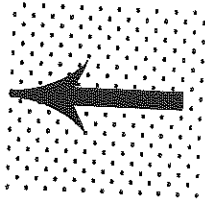
Jean-Pierre Jouyet
Chairman
French Autorité des Marchés Financiers

Date 4 January 2011



Christian Noyer
Chairman
French Autorité de Contrôle Prudentiel

Date 4 January 2011



Appendix A

Contact Persons

In addition to the following contact information, the CFTC, AMF, and ACP will exchange confidential emergency contact telephone information.

AMF

Pauline Leclerc-Glorieux
Managing Director - Investment Services and Asset Management
Autorité des marchés financiers
17 place de la Bourse
75082 Paris Cedex 02
Phone: +33.1.53.45.61.06
Fax: +33.1.53.45.64.00
Email: p.leclerc-glorieux@amf-france.org

Alternate Contacts:

Marguerite Yates
Head of Department - Investment Services and Asset Management Division
Autorité des marchés financiers
17 place de la Bourse
75082 Paris Cedex 02
Phone: +33.1.53.45.64.28
Fax: +33.1.53.45.64.00
Email: m.yates@amf-france.org

Delphine Vandembulcke
Deputy head of department - Oversight of market infrastructures and safekeeping of client assets
Autorité des marchés financiers
17 place de la Bourse
75082 Paris Cedex 02
Phone: + 33 1 53 45 61 53
Fax: + 33 1 53 45 61 10
Email: d.vandembulke@amf-france.org

Xavier Tessier
Director for International Affairs
Autorité des marchés financiers
17 place de la Bourse
75082 Paris Cedex 02
Phone: +33.1.53.45.63.56
Fax: +33.1.53.45.63.50
Email: x.tessier@amf-france.org

ACP

Frédéric Visnovsky
Directeur du Contrôle des établissements mutualistes et des Entreprises d'Investissement
Autorité de Contrôle Prudentiel
61, Rue Taitbout
75009 Paris
Phone: +33 1 42.92.59.53
Fax: +33 1 42.92.58.00
Email: frederic.visnovsky@acp.banque-france.fr

Alternate Contacts:

Patrick Amis
Directeur-adjoint du Contrôle des établissements mutualistes et des Entreprises d'Investissement
Autorité de Contrôle Prudentiel
61, Rue Taitbout
75009 Paris
Phone: +33 1 42.92.41.53
Email: patrick.amis@acp.banque-france.fr

Eric Brousté
Chef du Service des Entreprises d'Investissement
Autorité de Contrôle Prudentiel
61, Rue Taitbout
75009 Paris
Phone: +33 1 42.92.57.52
Email: eric.brouste@acp.banque-france.fr

CFTC

Ananda Radhakrishnan
Director, Division of Clearing and Intermediary Oversight
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581
Phone: 202-418-5188
Fax: 202-418-5547
Email: aradhakrishnan@cftc.gov

Alternate Contacts:

John C. Lawton
Deputy Director, Division of Clearing and Intermediary Oversight
Commodity Futures Trading Commission

1155 21st Street, N.W.
Washington, DC 20581
Phone: 202-418-5480
Email: jlawton@cftc.gov

Robert B. Wasserman
Associate Director, Division of Clearing and Intermediary Oversight
Commodity Futures Trading Commission
1155 21st Street, N.W.
Washington, DC 20581
Phone: 202-418-5092
Email: rwasserman@cftc.gov